

Stable economic outlook projected for 2018

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(Photo: Courtesy Grandview Development)

Despite current anxieties over Guam's economy facing tough times over H-2B visa denials, Gary Hiles, chief economist at the Department of Labor, projects continued growth in 2018.

The Guam Economic Outlook for Fiscal 2018 predicts "continuation and possible acceleration of a long term expansionary trend."

Hiles expects construction in the civilian and defense sectors, continued expansion and diversification in the visitor industry, and expansion to accommodate Guam's growing population.

Although construction employment has declined due to lower military construction appropriations, delays in contracting and H-2B visa denials, Hiles predicts construction employment will remain stable and likely will increase.



Hiles (Photo: PDN file photo)

Hiles projects economic demand and contractual construction obligations will expand the construction labor force "either with some liberalization of the H-2 visa approvals or other recruitment activity when the current uncertainty about the outcome of the H-2 visa denial court case and political efforts with the federal government is more settled."

Hiles acknowledged volatility in defense construction activity and substantial delays and changes related to relocation of the Marine Corps from Okinawa to Guam. He projects, however, that federal infrastructure spending — coupled with private and GovGuam construction activity — will counterbalance such changes.

Project backlog

In the private and GovGuam sectors, Hiles cites a backlog of projects with work remaining on multi-year contracts, estimated at \$215 million as of November 2016.

Civilian construction projects currently underway include:

- Tsubaki Hotel: a 26-story, 340-room, five-star hotel adjacent to Hotel Nikko Guam. Under construction by P.H.R. Micronesia, Ken Corp., expected completion date Oct. 2018.
- Emerald Oceanview Park: four-tower, 260-luxury condominium units, next to Guam Memorial Hospital. Delayed since 2010. Mortgage taken over by Core Tech, which has completed one tower but is constrained by lack of workforce
- Tumon Bay Mall: 200,000 square feet of floor space on two levels. Exterior constructed, interior work pending.
- The Landmark on Marine Corps Drive: 21,000 square foot, two-story, \$6.1 million commercial center, due to be completed May 2017.
- Fisherman's Co-Op: \$6 million project will include 6,000- to 7,000-square-foot facility and 220-foot sea wall docking area. Groundbreaking was held Jan. 2017.

Other major projects are in the planning phase:

- Northgate MarketPlace: shopping and restaurant complex across from Guam Regional Medical City in Dededo, estimated cost \$12 million.
- Summer Town Estates Phase III: 66 low-income units located at old Lada Estates
- Villa Del Mar LLC: 50 low-income units off Kanada-Toto Loop
- Bridge Capital LLC: \$421 million, two-tower, 590-room commercial facility at Guam Greyhound Raceway Park in Tamuning.

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Building permits

In 2016, building permits nearly doubled over the previous year, from 221,285 to 444,358. U.S. Military construction contracts dropped sharply from 164,377 to 26,463.

However, \$225.2 million in military construction projects is scheduled to be awarded in 2017.

Appropriations also hint at future construction activity. While U.S. appropriation levels dropped from 2014, more than \$1 billion in Japanese government appropriations are available for contracting after being released in budget authorization legislation.

Ten major Government of Guam projects have obtained funding totaling more than \$500 million:

- Guam Waterworks Authority: \$128.45 million
- Guam International Airport Authority, Airport B: \$96.71 million
- Guam International Airport Authority, Airport A: \$13 million
- Guam Power Authority: \$76.47 million
- University of Guam: \$21.7 million
- Port Authority of Guam: \$10 million
- Guam Community College: \$5 million
- Guam Department of Education: \$100 million
- Guam Housing and Urban Renewal: \$50 million
- Fisherman's Co-Op Facility: \$6 million

Five other major GovGuam projects await funding:

- Department of Public Works: \$75 million
- Department of Land Management: \$15.75 million
- Guam Memorial Hospital Authority: \$9.2 million
- Judiciary of Guam: \$8 million
- Harmon Industrial Park Association (tax credit): \$7 million

Tourism growth

Hiles also expects growth in tourism based on increasingly diverse arrivals, particularly from Korea and the Philippines, that have balanced out the decrease in Japanese tourism.



In this Aug. 5, 2016, file photo, Japanese tourists walk in Tumon. (Photo: PDN file photo)

In 2016:

- Visitor arrivals achieved all-time high of 15.4 million, up 9 percent from the previously record-breaking year of 2015.
- Visitor expenditures, based on average room rates and hotel occupancy taxes, increased.

- Guam welcomed its 500,000th visitor from Korea in December 2016.
- Philippine arrivals increased 74.3 percent over the previous year.

Chinese tourism also promises strong returns. The Guam Visitors Bureau is targeting mainland China visitors with U.S. visas. Since 2 million visas have been issued to Chinese citizens, GVB has reduced the Guam 2020 arrival goal to 1.7 million total visitors.

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